

## WHAT IS TAXABLE?

Please note that Federal Rent Subsidies are taxable. In addition to rent, taxable income includes any payments made by the tenant for:

- Utilities
- Pet Rent/Fees
- Telecommunications  
(phone, cable TV and internet service)
- Non-refundable deposits
- Forfeited deposits
- Common area maintenance
- Landscape maintenance or pool service
- Homeowner association fees
- Late fees, court fees and legal fees
- Repairs and/or improvements
- Owner's property taxes
- Owner's mortgages or home equity loans

## STATE/CITY DEDUCTIONS

Deductions such as factored tax can be taken when included in the gross income on your TPT return. On AZTaxes.gov only deduction codes applicable to the Residential Rental activity are available. A complete list of [deduction codes](#) is available on the AZDOR website.

Transaction privilege tax differs from income tax; deductions allowed for income tax are **NOT** allowed for transaction privilege tax. For example:

- Payments made for repairs, landscape maintenance or other service labor
- Homeowner association fees

## NEED MORE HELP?

Town of Gilbert staff are available to assist you with your questions. You can stop by 50 E Civic Center (Town Hall), Monday – Thursday from 7 AM – 6 PM; no appointment is necessary. You can also email your questions to [SalesTax@GilbertAZ.gov](mailto:SalesTax@GilbertAZ.gov).

Gilbert rentals that are not registered can be reported via email at [SalesTax@GilbertAZ.gov](mailto:SalesTax@GilbertAZ.gov)

This brochure is meant to be a guideline only. For complete details, refer to the Town of Gilbert Tax Code and related regulations.

The Arizona Department of Revenue (AZDOR) administers the transaction privilege tax for the Town of Gilbert. This means that you will license, report and pay your Town of Gilbert transaction privilege taxes (TPT) to the AZDOR and they will distribute the applicable monies to the municipality.

TPT is commonly referred to as sales tax; however, it is a tax on the business and not the consumer. The business may choose to pass the tax on to their customer. It is the “privilege” of doing business within the town and is not a true sales tax.

# TOWN OF GILBERT

## Residential Rental Guidelines

## TAX COMPLIANCE

50 East Civic Center Drive  
Gilbert, Arizona 85296  
[SalesTax@GilbertAZ.gov](mailto:SalesTax@GilbertAZ.gov)  
[GilbertAZ.gov/TaxCompliance](http://GilbertAZ.gov/TaxCompliance)  
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Most municipalities charge transaction privilege tax (TPT) to the owners of leased or rented residential properties. The following guidelines apply only to those properties located within the Town of Gilbert.

Residential Rental is the rental of real property for a period of 30 or more consecutive days for residential purposes only and not commercial.

The Arizona Department of Revenue (AZDOR) also has [residential rental resources](#) on their website.

## **RESIDENTIAL PROPERTY**

**All residential rental properties in Gilbert are taxable at a rate of 1.5% of the gross income.**

Residential rentals are not taxed by the State of Arizona or by Maricopa County.

Renting to a direct family member (i.e., spouse, parent, brother, sister, lineal descendants) is exempt from transaction privilege tax and may be exempt from County registration or classification requirements. Cousins, aunts, nephews, are examples of family that does not qualify for the exemption.

## **VACATION RENTALS**

**Properties that are rented for less than 30 days may be subject to an additional 2.8%.**

Some landlords may rent their properties for less than 30 days at a time. These rentals are subject to the State Transient Lodging classification, and the Hotels classification under the Model City Tax Code. The total combined rate is 11.57%. See Short-Term Rental Brochure for more information.

## **PROPERTY MANAGEMENT COMPANIES (PMC)**

Many property management companies offer services to assist you with your residential rental property. This may or may not include filing and remitting your TPT to AZDOR. Please review your contract with the PMC as it is ultimately the responsibility of the property owner to submit TPT returns and payments.

## **LICENSING & REPORTING**

Owners of residential rental properties are required to obtain and maintain a TPT (sales) tax license from AZDOR. The license must be maintained in the name of the owner, not a property management company. Owners may list multiple residential rental properties statewide under one TPT license as long as the legal entity of each property remains the same.

The application can be completed online at [www.AZTaxes.gov](http://www.AZTaxes.gov) (quickest way) or via paper at [www.azdor.gov](http://www.azdor.gov), under the Forms Category in the TPT section. The form is titled [Residential Rental Transaction Privilege Tax Application](#).

**NOTE:** If your main residence is outside the United States (i.e. Canada or Mexico), you must apply for your TPT license file via paper.

The license fee associated with Gilbert residential rentals is **\$2.00 per property**. You **will not** need to pay the State License fee of \$12.00.

Filing frequency is determined by the amount of a business' total state/town combined annual tax liability. Currently, the filing frequencies are:

- Annual: Less than \$2,000
- Quarterly: \$2,000 - \$8,000
- Monthly: More than \$8,000

If you successfully applied for your TPT license on AZTaxes.gov, you can file and pay online. You

may file via paper if you have only one property; otherwise it is state law to file online if you have more than one property. The business code used for residential rental to file residential rental activity is 045.

If your property is vacant or if you are not collecting rent, you will need to file a return with a zero dollar amount in order to avoid penalties. Failing to do so will result in a \$25 penalty fee per month.

## **FACTORING TAX**

If you elect to include the tax in the rent (no separate charge for tax), you may calculate the tax amount included in your gross income as indicated below:

Gross rent ÷ (1 + tax rate) = taxable rent

Example:

Gross rent: .....	\$1,000.00
1.5 % tax: .....	÷ 1.015
Net taxable rent.....	\$ 985.22

Gross rent – taxable rent = tax due

\$1,000.00 - \$985.22 = \$14.78

TPT remitted for this example will be \$14.78 which if added to the net taxable rent will total the amount collected from the tenant.

The appropriate deduction code used is 551 (Tax Factored or Collected).

## **GILBERT BUSINESS LICENSE**

A Gilbert business license is not necessary for residential rental property in the Town.

## **MARICOPA COUNTY ASSESSOR REGISTRATION**

All residential properties being used as a rental in the Town of Gilbert need to be registered with Maricopa County as a rental.

Please visit the Maricopa County Assessor's website for additional information or call (602) 503-3406.